doctrine embodies the ideas that bank-notes are a form of currency entirely distinct from other commercial paper and forms of credit; that an expansion of bank-note issues, even when redeemable in coin on demand, is a potent cause of commercial crises; and that the way to prevent crises is to place fixed limits upon bank-note issues. Few advocates of this theory have undertaken to place definite limits upon the volume of bills of exchange or of other forms of commercial paper issued by solvent borrowers, but they have maintained that bank-notes were money for all practical purposes of daily use ; that an undue expansion in the volume of money has stimulated speculation and expelled gold under the operation of Gresham's law; and that the curtailment of note issues would maintain sobriety in the mercantile world and restore the equilibrium of the foreign exchanges.

The advocates of this view, of whom the most conspicuous were Sir Robert Peel, I^ord Overstone, and Colonel Tor-rens, named their new discovery " The currency principle/* and immediately set out to rescue the commercial world of Great Britain from future disturbance by enforcing their policy in a modified form upon the Bank of England. Sir Robert Peel declared, in advocating the resumption act of 1819, that it was impossible to prescribe any specific limitation of issue for the bank and that the quantity of circulation which was demanded in a time of confidence varied materially from the amount required in a period of despondency. He became a complete convert to the currency principle *in* 1844 an(^ introduced the bill which became the basis of the present charter of the Bank of England. The theory of the currency principle was so generally accepted as a means of putting an end to panics that amendment was refused by the House of Commons by a vote of 185 to 30, and the bill passed the House of Lords without a division, and received the royal assent on July 19, 1844. The bill absolutely cut off the creation of banks of issue, except by the union of existing banks, and made the future elasticity of English currency dependent upon deposits of coin or bullion with the Bank of England.